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IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 72-347

CUSTOM RECORDING COMPANY, INC., ET AL.,
PETITIONERS,

versus

COLUMBIA BROADCASTING SYSTEM, INC.,
RESPONDENT

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

STATEMENT

Respondent manufactures and sells phonographic records and magnetic tapes on which are embodied artistic performances by artists who, by contract, have granted the Respondent the exclusive right to produce and distribute such recordings.

Petitioners are Commercial Tape Pirates, whose business is the reproduction and sale of Prerecorded Magnetic Tape which they have electronically duplicated from the phonograph records and tapes created, manufactured and marketed by the Respondent.

In May, 1971, the Respondent instituted this action in the Court of Common Pleas of South Carolina seeking to enjoin the Petitioners from pirating its work product and for an accounting. Following a hearing, the trial Judge issued an order refusing the injunction. The Respondent appealed the decision to the Supreme Court of South Carolina which granted the temporary injunction and remanded the case to the trial court with instructions to set a bond and determine all other pending issues.

Petitioners applied to this court for a Writ of Certiorari on August 28th, 1972, pursuant to 28 U. S. C. 1257(3).

QUESTION PRESENTED

The Petitioner has improperly stated the question before the Court. The only question is whether the State of South Carolina has the power to enjoin, as unfair competition, Petitioner's appropriation by duplication and sale of Respondent's originally created sound recordings which were fixed prior to February 15, 1972, and therefore not subject to federal copyright.

I

The Lower Court decision is not final.

The South Carolina Supreme Court granted a temporary injunction asserting the Petitioners should not be allowed to appropriate by reproduction and sale Respondent's sound recordings under the state law of unfair competition pending a decision of the matter on its merits. The case was remanded to the trial court for the fixing of bond and "for determination of all other issues." (Pet. App. 14b.)

Petitioners contend that the lower court's disposition of the federal question is a final judgment within 28 U. S. C. 1257(3), relying principally upon *Pope v. Atlantic*

Coast Line Railroad Co., 345 U. S. 379 (1953), and *Organization for a Better Austin v. Keefe*, 402 U. S. 415 (1971). In *Pope* the Petitioner conceded "that his case rests upon his federal claim and nothing more." In *Better Austin*, a civil rights case involving a temporary injunction which had prohibited the distribution of protesting circulars for a perod of three years, this Court found that while finality was not "entirely free from doubt we conclude we are not without power to decide this case."

This Court in *Montgomery Building & Construction Trades Council v. Ledbetter Erection Company, Inc.*, 344 U. S. 178, 180 (1952) held as follows on the question of finality of state judgments:

> "The distinction between a preliminary or temporary injunction and a final or permanent injunction was elementary in the law of equity. The classical concept was at once recognized and applied in *Gibbons v. Ogden* (US) *supra*. There is no room here for interpretation. The rule remains unchanged.
>
> True, as long as a temporary injunction is in force it may be as effective as a permanent injunction, and for that reason appeals from interlocutory judgments have been authorized by state legislatures and Congress. But such authorization does not give interlocutory judgments the aspect of finality here, even though we may have inadvertently granted certiorari."

Petitioners point out that in addition to the federal question their answer to Respondent's complaint asserts affirmative equitable defenses. (Pet. Brief, footnote 3.) They have not conceded, as in *Pope*, that their case rests upon the federal claim alone. Even though the federal question has been finally determined Petitioners can now require a trial upon the equitable defenses raised in their answer, under the remand to the trial court. This is not a final judgment, within the provisions of 28 U. S. C. 1257(3), authorizing a review by this Court under a writ

of certiorari. Petitioners' suggestion that the temporary injunction will finally dispose of the instant case is pure speculation. (Pet. Brief, 7, footnote 5.) The same issue of finality was raised in *Capitol Records, Inc. v. Erickson*, 2 Cal. App. (3d) 526, 82 Cal. Rptr. 798 (1969), *cert. denied*, 398 U. S. 960 (1970; Respondent's Brief in Opposition at pages 6-9.

Under the law of South Carolina, the granting of a temporary injunction is not a final judgment. *State v. Westmoreland*, 29 S. C. 1, 6 S. E. 847 (1888); *South Carolina & G. R. Co. v. American Telephone & Telegraph Co.*, 58 S. C. 21, 35 S. E. 797 (1900); *Alston v. Limehouse*, 60 S. C. 559, 39 S. E. 188 (1901). In fact, in the present case, further proceedings as to the equitable defenses are now pending in the trial court. Although Respondent has moved for summary judgment upon the ground there is no genuine issue of fact or law, this motion has not yet been heard. (Respondent's App. B.) Should the motion not be granted, this cause of action would be tried on its merits; should summary judgment be granted, the Petitioner can refile for a Writ of Certiorari to this Court.

II

The Lower Court decision is not of vital importance to the illegal re-recording industry and Congress has recognized the power of States to protect unpublished works from duplication and appropriation.

In their second argument in support of the granting of a Writ of Certiorari, Petitioners contend that the question presented is "of vital importance to an entire industry" and that "such importance has been recognized by this Court" in *Goldstein v. California*, No. 71-1192 (October Term, 1971). (Pet. Brief, 8.) Petitioners' reliance on the granting of a Writ of Certiorari in *Goldstein* by this Court is improper inasmuch as *Goldstein* deals with a

state's criminal statute whereas the present case involves a state's application of the common law doctrine of unfair competition. The very nature of a criminal statute's prohibition coupled with sanctions and penalties against the person calls up a degree of urgency which is absent in the widely accepted doctrine of state unfair competition. The law of unfair competition pertinent to record piracy merely protects the right of individuals to their unpublished work product from appropriation. Contrariwise, *Goldstein* involves the stigma and punishment of the criminal laws of the State of California.

Petitioners attempt to give substance to their position that questions "of vital importance" are presented to this Court by arguing that states are granting common law "copyright protection" to record manufacturers in allowing them to "prohibit others from copying their sound recordings". Petitioners also state that Congress deliberately left sound recordings "in the public domain". (Pet. Brief, 9, 10.) Petitioners' statements are misleading and inaccurate. First, Petitioners' use of the term "copyright protection" implies that the states are granting copyrights to works which are incapable of copyright protection in spite of the fact that Congress has not granted such protection, thus suggesting Congressional pre-emption. However, Congress in the Copyright Act, 17 U. S. C., Section 2 (1970), has explicitly provided the alternative of state protection to "unpublished works" which are not copyrighted and to which copyright protection is not available. Although the term "copyright protection" is sometimes used synonymously with state unfair competition law, the real thrust of state law is directed toward the prohibition of unfair competition in the appropriation of another's work product. Furthermore, in Section 3 of Public Law 92-140, 85 Stat. at 392 (1971), Congress expressly recognized that "rights" may exist in sound recordings fixed prior to the

availability of Federal copyright protection for sound recordings, and expressly provided that "nothing in Title 17, United States Code, as amended by Section 1 of this Act, shall be applied retroactively or be construed as affecting in any way any rights with respect to sound recordings fixed before the effective date of this act."

Second, Petitioners' contention that Congress deliberately left recordings "in the public domain" is ambiguous. If the quoted language simply refers to the nonexistence of Federal copyright legislation protecting sound recordings, then it is clear from the preceding paragraph that Congress explicitly left sound recordings to the protection of the several states. On the other hand, if the quoted language is to be construed more technically to mean that sound recordings are "published works" and therefore incapable of protection by state unfair competition law, then Petitioners are in direct conflict with present law. The decisions have expressly held that the sale of sound recordings to the public does not place them in the public domain so as to dedicate the right to duplicate and sell recordings. *Capitol Records, Inc. v. Mercury Records Corp.*, 221 F. (2d) 657, 663 (2nd Cir. 1955). This principle is the logical outgrowth of the settled rule that a public performance does not constitute a publication or dedication by the owner of the right to duplicate the performance. *Ferris v. Frohman*, 223 U. S. 424 (1912); *Uproar Co. v. National Broadcasting Co.*, 8 F. Supp. 358, 362 (D. Mass. 1934), modified and aff'd, 81 F. (2d) 373 (1st Cir. 1936); *King v. Mister Maestro, Inc.*, 224 F. Supp. 101 (S. D. N. Y. 1963).

Third, Petitioners' use of the word "copy" is an attempt to fit the present factual circumstances within the rule espoused by *Sears, Roebuck and Co. v. Stiffel Co.*, 376 U. S. 225 (1964) and *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U. S. 234 (1964) which pertained only to the right

to "copy" mechanical items not protected by patent and "in the public domain". Whereas *Sears* and *Compco* involved "simulation", "imitation," and 'copying", record piracy involves "duplication" and "appropriation" of the performance itself rather than the imitation thereof. This distinction is more fully explained in a subsequent portion of this brief.

In addition to the foregoing reasons against the granting of a Writ of Certiorari, it is significant that Petitioners maintain that the re-recording industry, an altogether illegal activity, has obtained such magnitude in terms of revenue that it deserves the immediate consideration of this Court. This position indeed reflects the audacity of Petitioners who place their illegal activity on such a high plane.

III

The decision of the Supreme Court of South Carolina does not create for the Respondent a common law state imposed monopoly.

The Petitioners' assertion that the decision of the South Carolina Supreme Court created a monopoly in favor of the Respondent is specious and unsound. There are more than 900 legitimate record companies operating in the United States; *TIAA v. Younginer,* 316 F. Supp. 340, 343 (C. D. 1970), appeal dismissed, 401 U. S. 902 (1971) appeal pending Ct. of Appeal 9th Cir. No. 26628, and to contend the Respondent has a monopoly is incredulous. Access to the market is readily available to any legitimate company that is willing to incur the risk and expend its funds in selecting the recording artist, obtaining the exclusive right to record their performances, hiring arrangers, providing accompaniment, employing engineering skill and expertise to produce the recorded performance together with promoting through advertisement and other means the finished recording. It is even legally ac-

ceptable for a recording company to produce "sounds just like" another musical recording of the same composition. *Sinatra v. Goodyear Tire & Rubber*, 435 F. (2d) 711 (9th Cir. 1970).

Both the House and Senate Judiciary Committee have recognized the prohibition of piracy would not, in any way, further monopoly nor restrict competition. The Senate Committee in rejecting the pirates' argument that phonograph records should be subject to compulsory licensing provisions, stated:

> "The committee sees no valid parallel. By the mechanical royalty the record company in effect receives the right to make use of the raw material—in this instance a copyrighted song. The record label, performing artist, musician and arranger developed this song into the finish product—the recorded song. The Committee sees no justification for the granting of a compulsory license to copy the finished product, which has been developed and promoted through the efforts of the record company and the artist. Any unauthorized manufacturer who wishes to produce a record containing the same song may do so by paying the mechanical royalty and making the same investment in production and talent as is being done by the authorized record company."

In the same vein the three-Judge District Court which upheld the constitutionality of Public Law 92-140 in *Shaab v. Kleindeinst*, 174 USPQ 197, 198 (D. D. C. 1972), stated:

> "Consumer choices would not be broadened since identical interpretations would be supplied first by the originator and later by the Licensee. Equally important, competition and creative aspects of the industry would be impaired since established recording firms would be discouraged from investing in new arrangements and performers, if they were compelled to license their successful interpretations to those

desiring to take advantage of the originator's inititative and to add nothing themselves."

Although petitioners seek to hide behind the facade of alleged competition, piracy of sound recordings is widely recognized as anticompetitive in nature. The Department of Justice stated its position on the competitive issue in its comments on Public Law 92-140:

> "The competition provided by the pirate record industry does not promote any of the traditional benefits of competition. Although the pirate record companies may greately undercut the prices charged by the creative industries, their ability to do so results in a large part from the fact that they do not compensate the creative writers and artists involved." Piracy Hearing, Ser. 7 at 122, 1971.

Similarly in her testimony before Subcommittee No. 3 of the committee on the Judiciary of the House of Representatives, Barbara Ringer, Assistant Register of Copyrights, testifying in favor of Public Law 92-140, had this to say:

> "The record industry, taken as a whole is a highly competitive industry. There is ease of entry; there are lots of small companies.
>
> "If someone can come in, and legally skim off the hits, who is going to suffer, the small company or the large company? And if it is the small company that suffers from the lack of Federal Legislation, then it would seem to me that the effect of the Bill would be to promote competition rather than monopoly." Hearings on S. 646 and H. B. 6927, 92 Cong. 1st Sess. 1971 at 10.

The catastrophic effect of tape piracy on the legitimate recording industry and those whose livelihoods are dependent upon it was succintly stated in the Reports of the Senate and House Judiciary Committees on Public Law 92-140.

". . . While it is difficult to establish the exact volume or dollar value of current piracy activity, it is established by reliable trade sources that the annual volume of such piracy is now in excess of $100 million. It has been estimated that legitimate prerecorded tapes sales have an annual value of approximately $300 million. The pirating of records and tapes is not only depriving legitimate manufacturers of substantial income, but of equal importance is denying performing artists and musicians of royalties and contributions to pension and welfare fund and Federal and State governments are losing tax revenues." S. Rep. No. 92-72, 92nd Cong. 1st Sess. (1971) at 3-4. See H. R. Rep. No. 92-487, 92nd Cong. 1st Sess. (1971) at 2.

The very size of the Petitioners' illegal operations, annual sales in excess of $100,000,000.00 (Pet. Brief, 9), graphically illustrates the monstrous problem created by these tape pirates; and now they have the effrontery to contend, because of their size, they are entitled to protection.

The decision of the Supreme Court of South Carolina creates no monopoly for the Respondent nor does it restrict competition. The Court merely affirms the Common Law right of the Respondent to sell in the market place of South Carolina its original creative recordings free from the unfair competition of the tape pirate's duplication.

IV

The decision of the South Carolina Supreme Court is not contrary to and is consistent with the decisions of this Court.

The recent decisions of this Court in the companion *Sears Roebuck & Co. v. Stiffel Co.*, 376 U. S. 225 (1964) and *Compco v. Day-Brite Lighting, Inc.*, 376 U. S. 234 (1964) cases, relied upon by Petitioners, establish a principle of law applicable to the facts in those cases. *International News Service v. Associated Press*, 248 U. S. 215 establishes

a different principle of law applicable to the facts in that and the instant case. There is no conflict between the *INS* (1918) decision and the *Sears-Compco* decisions.

In *INS* the Associated Press sued to enjoin International News Service from copying its news from bulletin boards and early editions of Associated Press' member newspapers and selling it as copied in written form to *INS* customers. This Court was confronted with the great public interest in the free dissemination of news, but recognized that, as between the parties, Associated Press had proprietary rights in its news report which had been illegally appropriated and sold by *INS* as its own news reports. In sustaining a temporary injunction in favor of Associated Press against the pirating of its news reports, this Court held, 248 U. S. at 239:

> The right of the purchaser of a single newspaper to spread knowledge of its contents gratuitiously, for any legitimate purpose not unreasonably interfering with complainant's right to make merchandise of it, may be admitted; but to transmit that news for commercial use, in competition with complainant,—which is what defendant has done and seeks to justify,—is a very different matter. In doing this defendant, by its very act, admits that it is taking material that has been acquired by complainant as the result of organization and expenditure of labor, skill, and money, and which is salable by complainant for money and that defendant in appropriating it and selling it as its own, is endeavoring to reap where it has not sown, and by disposing of it to newspapers that are competitors of complainant's members is appropriating to itself the harvest of those who have sown. Stripped of all disguises, the process amounts to an unauthorized interference with the normal operations of complainant's legitimate business precisely at the point where the profit is to be reaped, in order to divert a material portion of the profit from those who have earned it to those who have not, with special advantage to defend-

ant in the competition because of the fact that it is not burdened with any part of the expense of gathering the news. The transaction speaks for itself, and a court of equity ought not to hesitate long in characterizing it as unfair competition in business. * * * It is said that the elements of unfair competition are lacking because there is no attempt by defendant to palm off its goods as those of complainant characteristic of the most familiar, if not the most typical, cases of unfair competition. * * * But we cannot concede that the right to equitable relief is confined to those class of cases. In the present case the fraud upon complainant's rights is more direct and obvious. Regarding news matter as the mere material from which these two competing parties are endeavoring to make money, and treating it, therefore, as *quasi*-property for the purposes of their business because they are both selling it as such, defendant's conduct differs from the ordinarily case of unfair competition in trade principally in this: that, instead of selling its own goods as those of complainant, it substitutes misappropriation in the place of misrepresentation, and sells complainant's goods as its own.

In *Sears* the defendant copied, manufactured and sold, pole lamps which were substantially exact copies of a lamp designed and manufactured by Stiffel Co. In *Compco* the defendant copied, manufactured and sold, a fluorescent lighting fixture which was substantially identical to a fixture designed and manufactured by Day-Brite. Neither was protected under the federal patent laws. In *Compco*, Mr. Justice Black said:

"Today we have held in *Sears Roebuck & Co. v. Stiffel Co., supra*, that when an article is unprotected by a patent or a copyright, state law may not forbid others to copy the article. To forbid copying would interfere with the federal policy, found in Art. 1, § 8, Cl. 8 of the Constitution and in the implementing federal statutes, of allowing free access to copy whatever

the federal patent and copyright laws leave in the public domain." 376 U. S. at 238.

In analyzing *INS* and *Compco-Sears* the South Carolina Supreme Court recognized that some confusion may exist in the law of unlawful exploitation (Pet. App. 8b). The court reviewed record piracy cases decided after *Sears* and *Compco* and concluded that the facts of the instant case are controlled by *INS*, stating (Pet. App. 13b-14b):

> We think that the North Carolina Court of Appeals in Liberty, *supra*, correctly recognized the question involved in unlawful competition contests, as: "Has the plaintiff's legitimate business been damaged through acts of the defendants which a court of equity would consider unfair?" The facts of this case demand an unequivocal "yes" to this question. Defendants are surely "reaping where they have not sown." "The transaction speaks for itself and a court of equity ought not to hesitate long in characterizing it as unfair competition in business." INS, *supra*.
>
> We find the reasoning of INS, Liberty, Tape Industries, and the three Capitol Records cases to be persuasive if not indeed mandatory. The parasitic acts of defendants violated plaintiff's legal rights. Injunctive relief should have been granted to protect those rights.

Petitioners affirmatively assert their appropriation and sale of Respondent's sound recordings (Res. App. A., p. 1a). After Respondent has spent large sums to record, promote and popularize performances and created a good market for same, Petitioners appropriate them by purchasing the sound recordings on the open market and transposing the performances by the use of sophisticated electronic equipment onto magnetic tapes which they then sell in competition with Respondent. The identical names of the artists and the performances so duplicated are printed on Petitioners' label. The appropriated performances are

duplicated in unlimited quantities and sold by Petitioners in competition with Respondent.

Sears and *Compco* involve "copying" by simulation and imitation, which does not recreate the original product. This must be contrasted with the appropriation by duplication and recreation of the original product. Two radically factual processes are involved. The simulator and imitator takes his idea from a competitior, but must employ skilled technicians, purchase materials and provide production facilities to create, manufacture and market his own products. Conversely, the record pirate recreates the identical original product without any artistic design or other contribution or change in the product appropriated. He then markets competitively duplicate, not similar, tapes with no cost of original production.

In INS and here, an original artistic creation was appropriated, duplicated and sold by the defendant. In *Sears* and *Compco* a physical article was used as a model, "substantially copied", manufactured and sold by the defendant. In *INS* the appropriation by the defendant was enjoined as unfair competition under federal common law. In the instant case the appropriation by defendants was enjoined under federal and state common law.

This Court, in *INS* held, that the appropriation of another's work product and selling same to the public in competition with its creator, notwithstanding there is no protection under the copyright statute, constitutes unfair competition.

In *Sears* and *Compco* this Court held that a "copier" of another's work product, without patent or trademark protection, however reprehensible, could not be enjoined as unfair competition. The distinction between these two legal principles is clear. The appropriator sells another's work product. The substantial copier sells his own work

product after he has obtained the idea and design from an unpatented and uncopyrighted competing product.

This Court did not cite or consider *INS* in *Sears* and *Compco*. It is equally significant that petitioners in the instant case did not cite or refer in their brief to *INS*, which has been the authority for enjoining record piracy as unfair competition by federal and state courts both before and since the *Sears* and *Compco* decisions.

Every Court presented with the opportunity has condemned and enjoined the record piracy engaged in by the Respondent with the exception of one recent U. S. District Court decision now on appeal. Record piracy has been condemned by a long line of cases. In New York injunctions have prohibited the copying of performances, and the advertising and sale of records containing such performances, where the performances were taken: (1) from phonographic records sold to the public, as in the present case, in *Capitol Records, Inc. v. Greatest Records, Inc.*, 43 Misc. (2d) 878, 252 N. Y. S. (2d) 553 (Sup. Ct. 1964); *Greater Recordings Co. v. Stambler*, 144 U. S. P. Q. 547 (Sup. Ct. N. Y. 1965), and see *Gieseking v. Urania Records*, 17 Misc. (2d) 1034, 155 N. Y. S. (2d) 171 (Sup. Ct. 1956); (2) "off the air" as the performances were broadcast, as in the famous case of the *Metropolitan Opera Assn. v. Wagner-Nichols Recorder Corp.*, 199 Misc. 786, 101 N. Y. S. (2d) 483 (Sup. Ct. 1950), aff'd, 279 App. Div. 632, 107 N. Y. S. (2d) 795 (1951) (Opera Broadcasts) and *Columbia Broadcasting System, Inc. v. Documentaries Unlimited*, 42 Misc. (2d) 723, 248 N. Y. S. (2d) 809 (Sup. Ct. 1964) (News Reports); (3 from other "master recordings" as in *Capitol Records v. Mercury Records Corp.*, 109 F. Supp. 330 (S. D. N. Y. 1952), aff'd, 221 Fed. (2d) 657 (2d Cir. 1955) and *RCA v. Premier Albums, Inc.*, 19 App. Div. (2d) 62, 240 N. Y. S. (2d) 995 (1963); and (4) from a newsreel sound tract in *King v. Mr. Maestro, Inc.*, 224 F. Supp. 101 (S. D.

N. Y. 1963) (concerning the speech of Rev. Martin Luther King popularly identified by the phrase "I Had a Dream").

Similarly the California courts without exception have condemned record piracy as unlawful. *Capitol Records, Inc. v. Erickson*, 2 Calif. App. (3d) 526, 82 Cal. Rep. 798 (1968), cert. denied, 398 U. S. 960 (1970); *Tape Industries Ass'n of America v. Younger*, 316 F. Supp. 340 (C. D. Calif. 1970), and have held that the unauthorized appropriation of property similar to pirating recorded performances was unfair competition. *Hesse v. Grossman*, 152 Cal. App. (2d) 536, 313 P. (2d) 625 (1957) (held that using a three dimensional photograph as a "Master" for the purpose of making copies thereof, and the sale of such copies were unfair competition and enjoinable); *McCord Co. v. Plotnick*, 108 Cal. App. (2d). 239 P. (2d) 32 (1952) (affirming a judgment enjoining defendant from copying items of credit news from plaintiff's newspaper and holding such conduct unfair competition).

In the recent case of *Capitol Records, Inc. v. Erickson*, 2 Cal. App. (3d) 526, 82 Cal. Rep. 798 (1969), the facts were virtually identical to the facts in the present case. The trial court granted the injunction sought which was affirmed by the Appellate Division wherein the Court stated:

> "In the present case. . . . Capitol expends substantial effort, skill and money in selecting performing artists and obtaining the exclusive right to record their performances, in mechanically reproducing their performances on discs and tapes of the highest quality, and in promoting the sale of the tapes and discs. Phoenix acquires the finished tapes and discs at nominal retail cost, reproduces them on inferior tape cartridges at little cost, labels the cartridges with the same title and the same name of the performing artists as appear on the Capitol recordings, and sells the cartridges in competition with, and at a substan-

tially lower price than the discs and tapes sold by Capitol. It is obvious that Phoenix is able to sell the cartridges at such lower price, and still gain substantial profit, because Phoenix circumvents the necessity of expending skill and money in acquiring the artists and recording their performances. Thus, Phoenix unfarily appropriates artistic performances produced by Capitol's efforts, and Phoenix profits thereby to the disadvantage of Capitol. Such conduct by Phoenix is unfair competition within the rulings of several of the above cited cases."

In a recent case, presenting facts virtually identical to those in the present case, the Illinois Court has condemned record piracy as illegal and held that the record piracy should be enjoined. *Capitol Records, Inc. v. Spies,* 264 N. E. (2d) 874 (Ill. App. 1970).

Likewise, the North Carolina Court of Appeals, in *Liberty /UA, Inc. v. Eastern Tape Corporation,* 180 S. E. (2d) 414 (1971) condemned record piracy as illegal and enjoined same under facts identical to those in the present case, and stated:

"The damage occurring to plaintiff's business from the conduct of defendants is easily apparent. Plaintiff expends substantial sums of money in obtaining the services of popular artists and in recording their performances. As found by the trial court, '[i]n order to sell the recordings embodying performances to which plaintiff possesses exclusive rights, and to build good will, such performances, the names of the artists, and the recordings produced by plaintiff are advertised and promoted at great expense to plaintiff.' In appropriating the fruits of plaintiff's initiative, skill, effort and expense to their own use, defendants obviously circumvent a great portion of the cost of engaging in the recording business. They thereby gain substantial competitive advantage over plaintiff. This conduct, it seems to us, amounts to unfair competition and is subject to restraint."

The concept that *Sears* and *Compco* sanctioned piracy was repudiated in *Duchess Music Corporation v. Martin Stern,* 458 F. (2d) 1305 (1972) (Petition for cert. pending). There, compulsory licensees under the federal copyright statutes contended that they could reproduce and sell record performances created by others against a charge of common law unfair competition. The pirates relied upon *Sears* and *Compco* in support of a "right to make exact and identical copies of appellant's records". The Court reversed the District Judge, directed that a temporary injunction be entered against the record pirates, and stated:

> "*Sears* and *Compco* do not sanction Rosner's (one of the pirates) outright appropriation, in violation of copyright, of the actual performance contained on appellant's records. Rosner may, of course, record appellant's songs, when she hires musicians, artists, and technicians. Instead, she steals the genius and talent of others. She deceives others into thinking that her tapes represent her own work. She has no 'right to copy.' See *Capitol Records v. Greatest Records, Inc.,* 43 Misc. (2d) 878, 252 N. Y. S. (2d) 553 (S. Ct. 1964). She may not continue her piracy under the flag of compulsory licensing. Reversed and remanded." (458 F. (2d) 1311.)

In *Tape Industries Association of America v. Younger,* 316 F. Supp. 340 (C. C. Cal. 1970), Appeal Dismissed, 401 U. S. 902 (1971), (appeal pending Ct. of App. 9th Circuit No. 26628) involving a California criminal statute, record pirates sought a declaratory judgment contending that *Sears* and *Compco* authorized appropriation of another's musical performances. The Court held:

> "[P]laintiffs in the instant case do not imitate the product of the record companies. They actually take and appropriate the product itself—the sound recorded on the albums—and commercially exploit the product. *Sears* and *Compco* would cover and immunize

the plaintiffs here only if they had copied and imitated the product—that is, if they had listened to the sounds performed and embodied in the records and then had expended the necessary sums to copy and imitate the sounds on their own tapes."

In *Goldstein et al. v. State of California,* defendants were held guilty of record piracy under a California criminal statute. The case is before this Court by certiorari granted May 30, 1972. No. 71-1192.

A Florida criminal statute prohibiting sound recording piracy was held invalid in *International Tape Manufacturers Association v. Gerstein* by the United States District Court for the Southern District of Florida June 12, 1972. This is the only reported case refusing to apply *INS* to a product piracy case. Record piracy has been otherwise restrained in all reported cases from 1904 to date.

Victor Talking Machines v. Armstrong, 132 F. 711 (Circuit Ct. S. D. N. Y. 1904); *Fonotipia Ltd. v. Bradley,* 171 F. 951 (C. C. E. D. N. Y. 1909); *Aeolian Co. v. Royal Music Roll Co.,* 196 F. 926); *Orient Music Roll Co.,* 2 FTC 176 (1919). *Piracy on Records,* 5 Stanford Law Review, 433, 1953; *Capitol Records, Inc. v. Mercury Records Corp. supra.*

It seems advisable, in spite of the foregoing authorities, to note Petitioners' contention (Pet. Brief, pages 16-17) that since Congress did not authorize copyright protection prior to February 15, 1972, sound recordings were left in the public domain. Petitioners seek the protection of *Sears* and *Compco* as authorizing unlimited "copying" of sound recordings assumed to be in the public domain. *Sears* and *Compco* involved physical articles that could be copied, but not reproduced. These cases cannot be authority for the principle that the sale of sound recordings by the owner constitutes a publication and places them in the public domain. The only case directly considering a contention that

the sale of a record placed it in the public domain is *Capitol Records v. Mercury Records Corporation*, 221 F. (2d) 657, (2d) Cir. 1955. The Court held that under state law the sale of records of operas "did not put in the public domain the right to copy them and sell the copies". (221 F. (2d) 663.)

Public Law 92-140, Section 3, amending the Federal Copyright Act, mandated that recordings fixed prior to February 15, 1972, remain protectable against unauthorized duplication under state law. Congress thereby clearly intended that recordings fixed prior to February 15, 1972, could not be appropriated by duplication and sale if prohibited by the state common law of unfair competition. Respondent is thus entitled to all the protection the common law of South Carolina provides for sound recordings under Sec. 2, U. S. Code, Title 17, including the prohibition against duplicating Respondent's records and tapes without its consent.

In the last analysis it is clear that federal and state laws of unfair competition are totally removed from any interference with the federal statutory monopoly system. The facts in the specific case will control whether **copying** authorized by *Sears* and *Compco* or **appropriation** forbidden by *INS* should be applied.

It is equally clear that the common law unfair competition condemnation of commercial piracy does not create a non-statutory monopoly in the party protected. There were 900 legitimate producers of sound recordings competing with Respondent in 1970. (*Tape Industries Association v. Younger*, 316 Fed. Supp. 340, 343 (C. D. Cal. 1970)). It is conceivable that the record and tape industry with sales of $1,700,000,000.00 in 1971 (Billboard, January 1, 1972, page 29), may be doomed if the pirates are not enjoined from appropriating the sound recordings of legitimate producers.

CONCLUSION

The arguments of Petitioners are without merit and find no support in Federal law or policy. The decision of the Supreme Court of South Carolina is not a final decision but rather a reversal of the lower state court's denial of temporary injunctive relief. Furthermore, the position of Petitioners that their illegal business has acquired such magnitude that it deserves the immediate attention of this Court is preposterous.

The South Carolina decision has not created a common law state imposed monopoly but rather has simply afforded Respondent protection from unfair competition and piracy of its work product. Moreover, the lower court's holding is in accordance with the decision of this Court and is an exercise of control which was explicitly delegated to the states by Congress in the Copyright Act, Section 2.

Finally, Petitioners are seeking before this Court that which they have sought before Congress and been denied, namly a vindication of their illegal and anti-competitive activities. For these reasons, Respondent respectfully urges that the petition for writ of certiorari be denied.

Respectfully submitted,

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